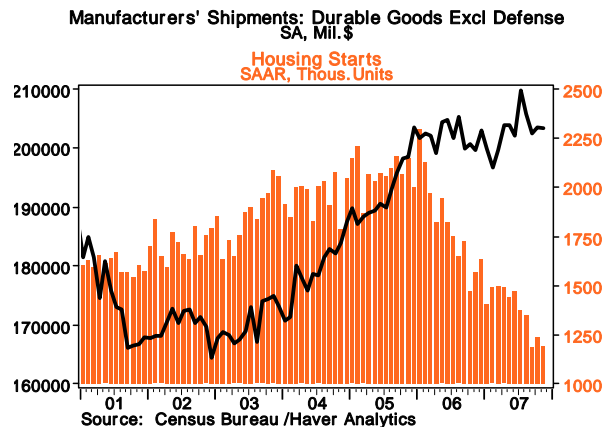
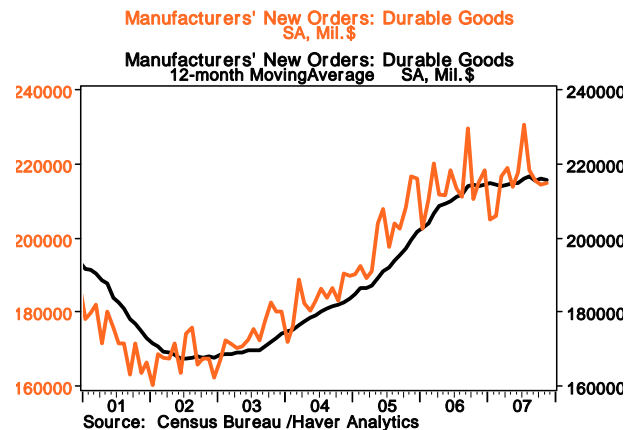


NOVEMBER DURABLE GOODS

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- New orders for durable goods increased 0.1% in November versus a consensus expected boost of 2.0%. Excluding transportation, orders fell 0.7% versus a consensus expected increase of 0.5%.
- The largest contributor to the increase in orders was civilian aircraft (up \$3.1 billion). Defense was the weakest sector (down \$2.3 billion). Excluding defense, orders were up 1.2%. Excluding defense *and* aircraft, orders were down 0.4.
- When calculating business investment for the GDP accounts, the government uses non-defense capital goods shipments excluding aircraft. That measure increased 0.2% in November but was revised down to show a 1.2% decline in October versus a previously estimated 0.9% fall.
- Unfilled orders rose 1.0% in November and are up 17.0% versus a year ago.

Implications: Today's report on durable goods is consistent with the moderate 2.5% real GDP growth rate we estimate for the fourth quarter. Assuming shipments are unchanged in December, "core" capital shipments (capital goods shipments excluding defense and aircraft) will be up at about a 3% annual rate in Q4 (2% after adjusting for inflation). In our view, the manufacturing sector is doing quite well in the context of the strong headwinds coming from home building. As the chart to the right shows, non-defense orders were rising at a rapid rate in 2003-05 until home building started to collapse. Since then non-defense orders have been relatively flat as weakness in residential construction has offset strength elsewhere. In other news this morning, new claims for unemployment insurance increased 1,000 last week to 349,000. Continuing claims for unemployment insurance rose to 2.713 million, the highest level since November 2005. This suggests a relatively weak (but still positive) payroll report for December, with a rise of about 65,000.



Durable Goods <i>All Data Seasonally Adjusted</i>	Nov-07	Oct-07	Sep-07	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.1%	-0.4%	-1.4%	-6.6%	0.8%	-0.2%
Ex Defense	1.2%	-0.5%	0.3%	3.8%	2.3%	2.0%
Ex Transportation	-0.7%	-0.9%	1.0%	-2.2%	-0.7%	2.1%
Transportation Equipment	1.9%	0.9%	-6.9%	-16.1%	4.4%	-5.3%
Capital Goods Orders	0.9%	-1.6%	0.7%	0.0%	3.3%	-1.1%
Capital Goods Shipments	0.1%	-0.6%	0.3%	-0.4%	4.0%	2.3%
Defense Shipments	4.3%	-0.2%	-4.3%	-1.7%	3.0%	2.8%
Non-Defense, Ex Aircraft	0.2%	-1.2%	1.8%	3.1%	3.6%	1.4%
Unfilled Orders for Durable Goods	1.0%	1.0%	1.1%	13.4%	17.8%	17.0%

Source: Bureau of the Census